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HSBC SURVEY: NEXT GENERATION SHOWS STRONG INVOLVEMENT IN PHILANTHROPY AS FAMILIES PREPARE FOR WEALTH TRANSFER

Education continues to be top charitable focus area, followed by elderly causes

For families in Asia and globally, philanthropy has become a notable tool for preparing the Next Generation (“NextGen”) to take over their businesses, according to a global survey by HSBC Global Private Banking.

Amongst all respondents, 23% of families said the NextGen was actively involved in philanthropy, the third most common role behind the strategy and planning (44%) and finance (36%) business functions respectively. The survey also found that the NextGen of second and third generation businesses (29%) had a higher rate of involvement in philanthropy compared to first generation ones (21%).

For families with foundations or endowments, education was the top philanthropic target with 32% of respondents saying they will focus on this in the coming year. By region¹, ASEAN-based respondents (27%) highlighted humanitarian relief or emergency response as their most pressing philanthropic priority, reflecting the region’s challenges in adapting to severe climate events². In Greater China, support for the elderly (23%) was the second most cited focus area. This aligns with the growing demands around mainland China’s aging demographics, with those over 60 expected to reach one third of the population by 2050³, as well as Hong Kong’s, where nearly one-third of society is anticipated to be 65 or above by 2041⁴.

Brent York, Global Head of Trust and Fiduciary Services, HSBC Global Private Banking, said: “We are witnessing a remarkable cross-generational transfer of wealth, with succession planning at the heart of this process. From a growing focus on philanthropy to utilising a variety of means to prepare the next generation, today’s families are making decisions that will have a lasting impact on our future. Our recent client survey provides a glimpse into their priorities and what we may expect as ownership and responsibilities change hands.”

High-net-worth individuals and their families, those with a net worth of US\$5 million or more, are expected to transfer across generations a combined US\$18.3 trillion by 2030, of which Asia will account for US\$2.5 trillion⁵.

Given this, the survey unsurprisingly found that 85% of families globally are already preparing the NextGen to take over their businesses. By region, preparation rates were higher in both Greater China (90%) and ASEAN (86%), reflecting a strong desire among Asian families to move succession planning forward.

NextGen in Asia are leading in philanthropy experience

With 30% of Greater China respondents and 27% of those from ASEAN getting the NextGen involved in philanthropy, compared to just 9% among the other regions surveyed, families in Asia may see comparatively greater engagement and impact in this area as their businesses change hands. This is particularly pronounced among second and third generation businesses in Greater China, where 46% of respondents indicated the NextGen is participating in philanthropy, the highest of all areas of involvement.

Dorothy Chan, Head of Philanthropy Services and Advisory, Asia Pacific, HSBC Global Private Banking, commented: “Families in Asia are engaging in philanthropy at an impressive rate and pioneering fresh approaches to meet local and regional needs. Today’s philanthropists harbour grand visions for their endowments, approaching charitable activities quite differently from their predecessors. They value strategic giving and enjoy rolling their sleeves up and getting involved to further the impact of their resources.”

Preparing the NextGen is taking many forms

Over half of all respondents are training their heirs in financial and business fundamentals, the top priority among all regions. 55% of ASEAN families and 40% of those in Greater China are sending the NextGen to outside training, education and employment, highlighting the value of external experience to the future of their firms, while just under one third of respondents from other regions are using these means.

“Professional wealth planning plays a critical role in helping families protect their financial wealth and ensure an orderly succession of assets. Meeting the unique needs of each family means tailoring strategies that reflect their values and priorities in preparing the next generation, a challenge that we are glad to work on with our clients each day,” York added.

The HSBC Trustee Client Survey is a research study involving a selection of HSBC Global Private Banking’s trustee clients worldwide. This survey was conducted to provide insight into what these clients viewed as the top priorities, practices and changes they would like to see in the services HSBC provides them. All respondents were interviewed using an online survey conducted between May and July 2022.

Integral to HSBC Global Private Banking, HSBC Trustee has been working with families around the world and particularly in Asia for over 75 years, building bridges across generations of wealth. As of 30 September 2022, HSBC Trustee’s client assets under administration totalled over USD221 billion, with more than 2,400 trust structures, employing more than 300 employees globally and providing services from Hong Kong, Singapore, Delaware and New York in the US, and Jersey in the Channel Islands.

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Note to editors:

1. Respondents of the HSBC Trustee Client Survey are divided by region: Greater China, ASEAN and rest of world
2. Bracing for the Typhoon: Climate Change and Sovereign Risk in Southeast Asia, Asian Development Bank
3. How to make active aging an integral part of economic growth in China, World Economic Forum
4. Hong Kong Population Projections 2017-2066, The Census and Statistics Department, Government of Hong Kong SAR
5. Preservation and Success: Family Wealth Transfer 2021 Report, Wealth-X

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